

ANNOUNCEMENT OF AVAILABILITY OF SEED GRANTS TO STATES TO CREATE QUALIFIED HIGH-RISK POOLS

**Sponsored by—The Centers for Medicare & Medicaid Services (CMS) of the
Department of Health and Human Services (HHS)
(CFDA 93.779)**

Purpose

The purpose of this grant program is to encourage states that currently do not have high-risk pools that meet the definition of a qualified-risk pool under §2744(c)(2) of the Public Health Service Act (PHS Act) to create such pools. Specifically, this program implements the provision of the Trade Act of 2002 (Trade Act) that provides funding for the creation and initial operation of qualified high-risk pools.

Background

The Trade Act provides funding to the states for the creation and initial operation of qualified high-risk pools. Section 201(b) amends the PHS Act by creating a new §2745 that provides for, among other things, seed grants to states that had not created a qualified high-risk pool by the time of enactment of the Trade Act. The grants can be for amounts up to \$1,000,000 for the state's cost of creation and initial operation of a pool. The total appropriation is \$20,000,000 in Fiscal Year (FY) 2003. The Trade Act allows two years for CMS to obligate the funds (through FY 2004).

A qualified high-risk pool is defined in §2745 of the PHS Act as one that meets the criteria in §2744(c)(2) of that Act. These criteria are that a pool:

1. Makes available to all eligible individuals (as defined in §2741(b) of the PHS Act) health coverage that does not impose any pre-existing condition exclusion; and
2. Provides for premium rates and covered benefits consistent with the "Health Plan for Uninsurables" model regulation established by the National Association of Insurance Commissioners (NAIC), as in effect as of August 21, 1996, the date of enactment of the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

Availability and Use of Funds

The total appropriation for the seed grant program is \$20,000,000, which can be obligated in FY 2003 and FY 2004. Each successful state applicant can be eligible for up to \$1,000,000 in grant money. The amount of the initial grant allocation will be based on the number of states that can potentially apply for a grant. Depending on the number of states that actually apply, the initial allocation may be supplemented at the end of FY 2004.

Grants awarded under this program can be used for all expenses associated with the creation and initial operation of a high-risk pool that meets the definition of a qualified high-risk pool under §2744(c)(2) of the PHS Act. This includes, but is not limited to, the hiring of staff, the establishment of an insurance mechanism for the risk pool, and for the technology needed for the operation of the pool. If the state currently has a high-risk pool that does not meet the criteria of a qualified high-risk pool, it can use a grant to modify the pool so that it meets these criteria.

There is no requirement for the states to match grants awarded under this program.

Eligibility

In order to be eligible for a seed grant, a state must meet two conditions:

1. As of the date of enactment of the Trade Act (August 6, 2002), the state had not created a qualified high-risk pool; and
2. The state intends to create and implement such a pool that meets the definition in §2744(c)(2) of the PHS Act.

Application Instructions

Notice of Intent

In order to facilitate the grant process, states are encouraged to submit a notice of intent to:

CMS
Center for Medicaid and State Operations, Private Health Insurance Group
7500 Security Boulevard, Mail Stop S3-16-16
Baltimore, Maryland 21244-1850
Attn: Jim Mayhew

The letter should indicate that the state intends to apply for a seed grant to create a “qualified” high-risk pool and also provide an estimate of the costs of creating the pool.

States that do not submit a letter of intent will not be precluded from applying for a grant.

Application Package

A state applying for a grant must submit an application package that documents that it has met the eligibility conditions. At a minimum, the package must include the completed required standard forms (see below) along with the following information:

1. Authority for the Establishment and Implementation of the Pool: Provide copies of state laws, regulations and policies that provide specific authority for the

establishment of the pool and that establish the requirements of the pool, including eligibility criteria, benefits structure, cost sharing arrangements, and revenue sources.

2. Administration of the Pool: Identify the Board, Administrator, and/or organization that are tasked to run the program.
3. Steps Taken: Describe all action that has been taken up to the date of application to create and implement the qualified high-risk pool. Include the total cost to the state for these steps. Identify the amount of reserves, if known, that the state estimates it needs to amass as a cushion for paying initial claims once applications are accepted and coverage provided.
4. Remaining Steps: Describe in detail the remaining steps to be taken for complete implementation with the target date for each step and the projected cost for the complete implementation.
5. Contact Person: Identify the name, position title, address, e-mail address, and telephone number of the person to contact for further information and questions.

As the state progresses in its creation and initial operation of a qualified high-risk pool, it can supplement its application in order to document that it has completed the phases outlined in the Grant Administration section below.

Standard Forms from the Application Kit

The following standard forms must be completed with an original signature and enclosed as part of the proposal:

SF-424	Application for Federal Assistance
SF-424A	Budget Information
SF-424B	Assurances – Non-Construction Program
SF-LLL	Disclosure of Lobbying Activities

Biographical Sketches of all Professional Personnel
Additional Assurances

You can download these forms from the following Web site:
www.cms.hhs.gov/researchers/priorities/grants.asp

All other narrative in the application must be submitted on 8 ½ x 11" white paper.

What to Send

Applicants are required to submit an original and two copies of the application.

Submissions by facsimile (fax) transmissions will not be accepted.

Applications mailed through the U.S. Postal Service or a commercial delivery service will be considered “on time” if received by the close of business on the closing date, or postmarked (first class mail) by the date specified. If express, certified, or registered mail is used, the applicant should obtain a legible dated mailing receipt from the U.S. Postal Service. Private metered postmarks are not acceptable as proof of timely mailings.

Indirect Costs

Reimbursement of indirect costs is governed by the provisions of the U.S. Department of Health and Human Services, Grants Policy Directive Part 3.01: Post-Award – Indirect Costs and Other Cost Policies. We recommend that applicants review the provisions of this Policy Directive and applicable OMB Circulars in preparing budget information. This information is available online at: www.hhs.gov/grantsnet/adminis/gpd/gpd301.htm.

Application Review

Applications for these grants are not subject to review by States under Executive Order 12372 “Intergovernmental Review by Federal Agencies (45 CFR Part 100).

Review Team

A team consisting of staff from CMS will review all applications. The team will meet as necessary on an ongoing basis as applications are received.

Eligibility Criteria

In order to be eligible for a grant, a state must meet the following criteria:

1. The state had not created a qualified high-risk pool as of the date of enactment of the Trade Act (August 6, 2002). The reviewers will look at all factors in determining whether such a pool had been enacted in the state. One of the primary factors will be whether there was an existing high-risk pool as of August 6, 2002, that met the definition of a qualified high-risk pool. If the state had an existing high-risk pool that did not meet the definition of a qualified high-risk pool outlined below, then it could be eligible for a grant under this program to create a separate pool that meets the definition of a qualified high-risk pool or to modify an existing pool to meet the requirements of a qualified high-risk pool.
2. The proposed high-risk pool meets the definition of a qualified high-risk pool at §2744(c)(2) of the PHS Act. This is a basic, two-prong test:
 - The proposed pool will make available to all eligible individuals (as defined by §2741(b) of the PHS Act) health coverage that does not impose any pre-existing condition exclusion; and

- The proposed pool provides for premium rates and covered benefits for such coverage consistent with the standards included in the NAIC Model Health Plan for Uninsurable Individuals Act that was in effect at the time of enactment of HIPAA (August 21, 1996). A copy of the NAIC model is attached with this announcement.

Review Criteria

For those states that meet the eligibility criteria outlined above, the review team will use the following criteria in reviewing the applications:

1. Insurance Mechanism: The state's proposed high-risk pool has a mechanism that can reasonably be expected to assure that it will have the administrative and legal capacity to provide health coverage to all qualified applicants.
2. Funding: The state has described funding sources that can reasonably be expected to ensure that the pool will be able to keep funding losses and stay in operation after the grant funds have been expended.

Grant Awards

Notification and Award Letter

CMS will make a decision on each state's application. Each state applicant will receive written notification of CMS's decision. If the applicant is awarded a grant, the award letter will contain the following terms and conditions:

1. All funds awarded to the applicant under this program must be used exclusively for the creation and initial operation of a qualified high-risk pool as defined in §2744(c)(2) of the PHS Act. If the state should decide after receiving funds from the grant that it will not precede with the creation of a qualified high-risk pool, then all funds awarded to the state must be returned to the U.S. Treasury.
2. The applicant must submit a quarterly report to CMS documenting the expenditure of the grant funds and the progress of the creation of the high-risk pool. These reports will continue to be submitted until all grant funds have been spent. See 45 CFR Part 92.
3. The applicant must keep sufficient records of the grant expenditures since the awardees may be subject to an audit. See 45 CFR Part 92.

Grant Acceptance

Awardees must submit a letter of acceptance to CMS, at the address specified below, within 30 days of the date of the award, agreeing to the terms and conditions of the award letter.

Grant Administration

Each state that submits an application that is approved by CMS is eligible for a grant of up to \$1,000,000 for its cost of creation and initial operation of a qualified high-risk pool. To assure timely implementation of such a pool, the grants to each state will be distributed in phases, with the total amount of funding not to exceed \$1,000,000. The phases will be structured in the following manner:

1. Demonstration of authority to create a qualified high-risk pool and the implementation of a governing authority. If the state can demonstrate that legal authority has been created (through legislation, regulation, or otherwise) to develop a qualified high-risk pool and that a governing authority responsible for overseeing the risk pool has been created or designated, then the state will be eligible for an amount up to \$500,000. For example, if legislation has been enacted to create a qualified high-risk pool and a governing board has been established, that state could be eligible for this portion of the grant.
2. Establishment of insurance mechanism and commitment of staff. If a state can demonstrate that the agency tasked to operate the qualified high-risk pool has committed the staff necessary for the successful operation of the pool, and has established the required administrative mechanism to assure the provision of health coverage, then the state will be eligible for an amount of up to \$500,000. For example, if a state entered into a contract to obtain administrative services for the pool, that state could be eligible for this portion of the grant.

Existing Risk Pools

If a state has an existing high-risk pool that does not meet the definition of a qualified high-risk pool, it should document in its application the actions taken to modify the pool in order for it to become a qualified high-risk pool as defined by §2744(c)(2) of the PHS Act, and also document the costs of the modifications. In those cases, a single grant can be provided, subject to the statutory limit, for the incurred costs of the modifications, subject to the audit requirements of 45 CFR Part 92.

Where to Submit an Application

All applications must be submitted to:

Centers for Medicare & Medicaid Services
Office of Acquisition and Grants
Mail Stop C2-21-15
7500 Security Boulevard
Baltimore, MD 21244-1850
Attn: Nicole Nicholson

Deadline

Applications will be reviewed and funded on an ongoing basis as received. All applications, however, must be submitted **no later than March 31, 2004**.

Inquiries

Questions regarding this application should be directed to Jim Mayhew at 410-786-9244 or by e-mail to jmayhew@cms.hhs.gov.